

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name L'Anse Housing Commission	County Baraga
Fiscal Year End 3/31/2007	Opinion Date 12/21/2007	Date Audit Report Submitted to State 12/21/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

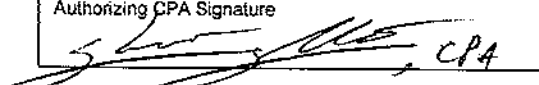
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	NA	
Other (Describe)	<input checked="" type="checkbox"/>	NA	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address 201 E. Hughitt Street		City Iron Mountain	State MI
Authorizing CPA Signature  CPA		Printed Name Shane M. Ellison, CPA	License Number 263063

**L'ANSE HOUSING COMMISSION**

**REPORT ON FINANCIAL STATEMENTS**

(with supplemental information)

For the Year Ended March 31, 2007

## L'ANSE HOUSING COMMISSION

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
L'Anse Housing Commission  
L'Anse, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the L'Anse Housing Commission as of and for the year ended March 31, 2007 as listed in the Table of Contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the L'Anse Housing Commission as of March 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007 on our consideration of the L'Anse Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the L'Anse Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

December 21, 2007

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the L'Anse Housing Commission's financial performance provides an overview of the financial activities for the year ended March 31, 2007. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$488,425 for the year ended March 31, 2007 compared to \$553,804 for the year ended March 31, 2006.
- The Commission's operating revenues totaled \$163,820 for the year ended March 31, 2007 and \$163,264 for the year ended March 31, 2006, while operating expenses totaled \$231,636 for the year ended March 31, 2007 and \$233,298 for the year ended March 31, 2006.

### USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

### REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities"? The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

## REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

## THE COMMISSION AS A WHOLE

The Commission's combined net assets for the year ended March 31, 2007 decreased \$(65,379) from the year ended March 31, 2006.

Table 1

### NET ASSETS

	Assets	
	March 31, 2007	2006
Current assets	\$ 96,272	\$ 88,102
Capital assets (net)	<u>460,319</u>	<u>517,930</u>
Total assets	<u>556,591</u>	<u>606,032</u>
Liabilities		
Current liabilities	51,627	40,004
Noncurrent liabilities	<u>16,539</u>	<u>12,224</u>
Total liabilities	<u>68,166</u>	<u>52,228</u>
Net Assets		
Invested in capital assets, net of related debt	460,319	517,930
Unrestricted	<u>28,106</u>	<u>35,874</u>
Net Assets	<u>\$ 488,425</u>	<u>\$ 553,804</u>

Net assets of the Commission stood at \$488,425 for the year ended March 31, 2007 compared to \$553,804 for the year ended March 31, 2006. Unrestricted net business assets were \$28,106 for the year ended March 31, 2007 compared to \$35,874 for the year ended March 31, 2006. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The increase in current assets was largely due to a \$3,224 increase in cash and a \$4,663 increase in investments. The increase in current liabilities was largely due to a \$10,179 increase in deferred revenues.

Table 2

## CHANGE IN NET ASSETS

	Year Ended March 31,	
	2007	2006
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 109,030	\$ 109,692
Program grants and subsidies	47,236	94,052
General revenues:		
Other revenues	7,554	7,720
Unrestricted investment earnings	2,437	1,855
Total revenues	166,257	213,319
<b>Program Expenses:</b>		
Operating expenses	231,636	233,298
Change in net assets	(65,379)	(19,979)
Net assets - beginning of period	553,804	573,783
Net assets - end of period	\$ 488,425	\$ 553,804

## BUSINESS – TYPE ACTIVITIES

Revenues for the Commission totaled \$166,257 for the year ended March 31, 2007 compared to \$213,319 for the year ended March 31, 2006. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had decreased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The decrease in operating expenses was largely due to a \$3,724 decrease in administrative expenses.

## **CAPTIAL ASSETS**

### **Capital Assets**

The Commission had \$1,994,921 invested in a variety of capital assets including land, equipment and buildings for the year ended March 31, 2007 compared to \$1,991,496 for the year ended March 31, 2006.

**Table 3**

### **CAPITAL ASSETS Business - Type Activity**

	March 31,	
	2007	2006
Land and improvements	\$ 54,299	\$ 54,299
Building and improvements	1,820,077	1,816,652
Equipment	120,545	120,545
Total	1,994,921	1,991,496
Less accumulated depreciation	(1,534,602)	(1,473,566)
<b>NET CAPITAL ASSETS</b>	<b>\$ 460,319</b>	<b>\$ 517,930</b>

The Commission invested \$3,425 in capital assets during the year ended March 31, 2007.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2007/2008. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2007/2008 budget process.

### **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Vanessa Houle, at 100 S. Sixth Street, L'Anse, Michigan 49946, or call 906-524-6311.

**L'ANSE HOUSING COMMISSION**

**STATEMENT OF NET ASSETS  
Proprietary Fund**

March 31, 2007

**CURRENT ASSETS:**

Cash and equivalents	\$ 43,114
Investments	46,372
Prepaid expenses	<u>6,786</u>

TOTAL CURRENT ASSETS	<u>96,272</u>
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**NONCURRENT ASSETS:**

Capital assets	1,994,921
Less accumulated depreciation	<u>(1,534,602)</u>

NET CAPITAL ASSETS	<u>460,319</u>
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TOTAL ASSETS	<u>556,591</u>
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**CURRENT LIABILITIES:**

Accounts payable	4,061
Accrued liabilities	<u>47,566</u>

TOTAL CURRENT LIABILITIES	51,627
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**NONCURRENT LIABILITIES**

16,539

TOTAL LIABILITIES	<u>68,166</u>
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**NET ASSETS:**

Investment in capital assets, net of related debt	460,319
Unrestricted net assets	<u>28,106</u>

NET ASSETS	<u>\$ 488,425</u>
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The accompanying notes to financial statements are an integral part of this statement.



**L'ANSE HOUSING COMMISSION**

**STATEMENT OF ACTIVITIES**

For the Year Ended March 31, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Public Housing	\$ 231,636	\$ 109,030	\$ 47,236	\$ -
				\$ (75,370)
General revenues:				
Unrestricted investment earnings				2,437
Other				7,554
Total general revenues				9,991
Change in net assets				(65,379)
NET ASSETS, beginning of year				553,804
NET ASSETS, end of year				\$ 488,425

The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE  
IN NET ASSETS  
Proprietary Fund**

For the Year Ended March 31, 2007

OPERATING REVENUES:

Tenant revenue	\$ 109,030
Program grants-subsidies	47,236
Other income	<u>7,554</u>

TOTAL OPERATING REVENUES	<u>163,820</u>
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OPERATING EXPENSES:

Administration	56,033
Tenant services	1,691
Utilities	31,810
Maintenance	65,558
General	15,508
Depreciation	<u>61,036</u>

TOTAL OPERATING EXPENSES	<u>231,636</u>
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OPERATING (LOSS)	<u>(67,816)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Interest income	<u>2,437</u>
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NONOPERATING REVENUES AND (EXPENSES)	<u>2,437</u>
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CHANGE IN NET ASSETS	(65,379)
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NET ASSETS, BEGINNING OF YEAR	<u>553,804</u>
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NET ASSETS, END OF YEAR	<u>\$ 488,425</u>
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& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.

**L'ANSE HOUSING COMMISSION**

**STATEMENT OF CASH FLOWS**  
**Proprietary Fund**

For the Year Ended March 31, 2007

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 109,030
Cash received from grants and subsidies	47,236
Cash payments to suppliers for goods and services	(63,747)
Cash payments for wages and related benefits	(87,270)
Cash payments for payment in lieu of taxes	(3,928)
Other receipts	<u>7,554</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>8,875</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition of capital assets	<u>(3,425)</u>
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NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,425)</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of investments	(4,663)
Investment income	<u>2,437</u>

NET CASH (USED) BY INVESTING ACTIVITIES	<u>(2,226)</u>
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NET INCREASE IN CASH AND EQUIVALENTS	3,224
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CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>39,890</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 43,114</u>
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**RECONCILIATION OF OPERATING INCOME TO NET**

**CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (67,816)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	61,036
Changes in assets and liabilities:	
Decrease (Increase) in prepaid expenses	(283)
Increase (Decrease) in accounts payable	11
Increase (Decrease) in accrued liabilities	<u>15,927</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 8,875</u>
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The accompanying notes to financial statements are an integral part of this statement.



## L'ANSE HOUSING COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **THE REPORTING ENTITY**

The L'Anse Housing Commission (Commission) was formed by the Village of L'Anse under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the Village.

The Commission manages 34 units of low rent public housing units of which, for financial reporting purposes, includes all of the activities relevant to its operations.

##### **Component Unit**

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement #14, *The Financial Reporting Entity* and as amended by GASB Statement #39.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the L'Anse Housing Commission, but the L'Anse Housing Commission is a component unit of the Village of L'Anse, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

##### **BASIS OF PRESENTATION**

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

##### **Government-Wide Financial Statements:**

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



## L'ANSE HOUSING COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

(Continued)

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **BASIS OF PRESENTATION (Continued)**

###### **Proprietary Fund**

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

##### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

###### **Measurement Focus:**

The government-wide Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

###### **Basis of Accounting:**

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



## L'ANSE HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$100 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.



## L'ANSE HOUSING COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

(Continued)

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **ASSETS, LIABILITIES AND NET ASSETS (Continued)**

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

##### **REVENUES AND EXPENSES**

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

##### **OTHER SIGNIFICANT ACCOUNTING POLICIES**

###### **Interprogram Activity:**

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

###### **Budgets and Budgetary Accounting:**

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on April 1<sup>st</sup>. The operating budget includes proposed expenses and the means of financing them. Prior to March 31<sup>st</sup>, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31<sup>st</sup>.



## L'ANSE HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

#### NOTE B - CASH AND INVESTMENTS

##### Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 50
Checking accounts	3,100
Savings accounts	<u>39,964</u>
 TOTAL	 <u>\$ 43,114</u>

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require, and the Commission does not have a policy for deposit custodial credit risk. As of March 31, 2007, the Commission's cash and equivalents were not exposed to credit risk, due to them being fully insured.

##### Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>
		<u>Less Than 1 Year</u>
Certificates of Deposit	<u>\$46,372</u>	<u>\$46,372</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's investments may not be returned. As of March 31, 2007, the Commission's investments were not exposed to credit risk, due to them being fully insured.



## L'ANSE HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

#### NOTE B - CASH AND INVESTMENTS (Continued)

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

*Concentration of Credit Risk.* The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institutions:

Commercial National Bank, L'Anse, MI	\$43,532
Baraga County Federal Credit Union, L'Anse, MI	<u>2,840</u>
Total	<u>\$46,372</u>

#### NOTE C - CAPITAL ASSETS

A summary of capital assets for the year ended March 31, 2007 is as follows:

	Balance 4-1-06	Additions	Deletions	Balance 3-31-07
Land and improvements	\$ 54,299	\$ -	\$ -	\$ 54,299
Building and improvements	1,816,652	65,468	(62,043)	1,820,077
Equipment	<u>120,545</u>	<u>1,955</u>	<u>(1,955)</u>	<u>120,545</u>
	1,991,496	<u>\$ 67,423</u>	<u>\$ (63,998)</u>	1,994,921
Accumulated depreciation	<u>(1,473,566)</u>	<u>\$ (61,036)</u>	<u>\$ -</u>	<u>(1,534,602)</u>
Net capital assets	<u>\$ 517,930</u>			<u>\$ 460,319</u>

Depreciation expense for the year was \$61,036.



## L'ANSE HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

#### NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

#### NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended March 31, 2007 totaled \$166,257 of which \$47,236 or 28.5% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

#### NOTE G - PENSION PLAN

The Commission has established a SEP-IRA plan of which the Commission contributes 8.8% of qualified wages. To be eligible, an employee must have twelve continuous months of service. The Commission contributions to the Plan during the year amounted to \$5,126.



**SUPPLEMENTAL  
INFORMATION**



# L'ANSE HOUSING COMMISSION

## **FINANCIAL DATA SCHEDULE Proprietary Fund**

March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash:				
111	Cash - unrestricted	\$ 43,114	\$ -	\$ 43,114
100	Total cash	43,114	-	43,114
Accounts and notes receivables:				
126	Accounts receivable - Tenants - Dwelling Rents	-	-	-
126.1	Allowance for doubtful accounts - Dwelling Rents	-	-	-
120	Total receivables, net of allowances for doubtful accounts	-	-	-
Other current assets:				
131	Investments - Unrestricted	46,372	-	46,372
142	Prepaid expenses and Other Assets	6,786	-	6,786
144	Interprogram due from	-	16,825	16,825
150	TOTAL CURRENT ASSETS	96,272	16,825	113,097
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	20,052	-	20,052
162	Buildings	1,820,077	-	1,820,077
163	Furniture, equipment & machinery - dwellings	26,537	-	26,537
164	Furniture, equipment & machinery - administration	94,008	-	94,008
165	Leasehold improvements	34,247	-	34,247
166	Accumulated depreciation	(1,534,602)	-	(1,534,602)
160	Total fixed assets, net of accumulated depreciation	460,319	-	460,319
180	TOTAL NONCURRENT ASSETS	460,319	-	460,319
190	TOTAL ASSETS	\$ 556,591	\$ 16,825	\$ 573,416

See accompanying notes to financial statements



**L'ANSE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE**

**Proprietary Fund**

March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
<b><u>LIABILITIES AND NET ASSETS</u></b>				
LIABILITIES:				
CURRENT LIABILITIES				
312	Accounts payable ≤ 90 days	\$ 4,061	\$ -	\$ 4,061
321	Accrued wages / payroll taxes payable	7,712	-	7,712
322	Accrued compensated absences - current portion	4,712	-	4,712
333	Accounts payable - other government	7,722	-	7,722
341	Tenant security deposits	10,595	-	10,595
342	Deferred revenues	-	16,825	16,825
347	Interprogram due to	16,825	-	16,825
310	TOTAL CURRENT LIABILITIES	51,627	16,825	68,452
354	Accrued compensated absences - non current	16,539	-	16,539
350	TOTAL NONCURRENT LIABILITIES	16,539	-	16,539
300	TOTAL LIABILITIES	68,166	16,825	84,991
<b><u>NET ASSETS</u></b>				
508.1	Investment in capital assets, net of related debt	460,319	-	460,319
512.1	Unrestricted net assets	28,106	-	28,106
513	TOTAL NET ASSETS	488,425	-	488,425
600	TOTAL LIABILITIES AND NET ASSETS	\$ 556,591	\$ 16,825	\$ 573,416

See accompanying notes to financial statements



# L'ANSE HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

### Proprietary Fund

For the Year Ended March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
<u>REVENUES</u>				
703	Net tenant rental revenue	\$ 107,858	\$ -	\$ 107,858
704	Tenant revenue - other	1,172	-	1,172
705	Total tenant revenue	109,030	-	109,030
706	HUD PHA grants	27,236	20,000	47,236
711	Investment income - unrestricted	2,437	-	2,437
715	Other revenue	7,554	-	7,554
700	TOTAL REVENUE	146,257	20,000	166,257
<u>EXPENSES</u>				
Administrative:				
911	Administrative salaries	30,974	-	30,974
912	Auditing fees	3,090	-	3,090
914	Compensated absences	183	-	183
915	Employee benefit contributions- administrative	7,690	-	7,690
916	Other operating- administrative	14,096	-	14,096
	Total Administrative	56,033	-	56,033
Tenant services:				
924	Tenant services - other	1,691	-	1,691
Utilities:				
931	Water	6,890	-	6,890
932	Electricity	10,824	-	10,824
933	Gas	14,096	-	14,096
	Total Utilities	31,810	-	31,810

See accompanying notes to financial statements



# L'ANSE HOUSING COMMISSION

## **FINANCIAL DATA SCHEDULE**

### **Proprietary Fund**

For the Year Ended March 31, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
Maintenance:				
941	Ordinary maintenance and operations - labor	27,280	-	27,280
942	Ordinary maintenance and operations - materials & other	4,124	-	4,124
943	Ordinary maintenance and operations - contract costs	12,332	-	12,332
945	Employee benefit contributions- ordinary maintenance	21,822	-	21,822
	Total Maintenance	<u>65,558</u>	<u>-</u>	<u>65,558</u>
General expenses:				
961	Insurance premiums	7,472	-	7,472
963	Payments in Lieu of Taxes	7,722	-	7,722
964	Bad Debt - Tenant Rents	314	-	314
	Total General Expenses	<u>15,508</u>	<u>-</u>	<u>15,508</u>
969	TOTAL OPERATING EXPENSES	<u>170,600</u>	<u>-</u>	<u>170,600</u>
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	<u>(24,343)</u>	<u>20,000</u>	<u>(4,343)</u>
974	Depreciation expense	<u>61,036</u>	<u>-</u>	<u>61,036</u>
900	TOTAL EXPENSES	<u>231,636</u>	<u>-</u>	<u>231,636</u>
Other financing sources (uses)				
1001	Operating Transfers In	20,000	-	20,000
1002	Operating Transfers Out	-	(20,000)	(20,000)
1010	Total other financing sources (uses)	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	<u>\$ (65,379)</u>	<u>\$ -</u>	<u>\$ (65,379)</u>
MEMO account information				
1103	Beginning equity	\$ 491,432	\$ 58,444	\$ 549,876
1104	Prior Period Adjustments, Equity Transfers	\$ 62,372	\$ (58,444)	\$ 3,928
1120	Unit months available	408	-	408
1121	Number of unit months leased	402	-	402

See accompanying notes to financial statements



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
L'Anse Housing Commission  
L'Anse, Michigan

We have audited the financial statements of L'Anse Housing Commission as of and for the year ended March 31, 2007, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered L'Anse Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of L'Anse Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of L'Anse Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the L'Anse Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2007-1.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit L'Anse Housing Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

*Anderson Tackman & Co. PLLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

December 21, 2007

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**L'ANSE HOUSING COMMISSION**

**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended March 31, 2007

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**Finding 2007-1**

*Reportable Condition:*

The Commission has drawn down capital fund monies prior to obligating or spending the capital funds. The Commission had drawn down \$16,825 of capital funds prior to beginning any capital projects, thus the amounts were recorded as deferred revenues at March 31, 2007. Capital Funding regulations requires funds to be obligated or spent prior to drawing down capital fund monies.

*Response:*

The Commission agrees to the finding above and wasn't aware that capital funds could not be drawn down prior to obligating or spending the funds first. The funds were drawn down in anticipation of a project which was being bid out. The Commission agrees and will be implementing procedures to prevent the draw down of capital funds prior to obligating or spending capital fund monies.

